BY THE U.S. GENERAL ACCOUNTING OFFICE

Report To The Chairman Subcommittee On Foreign Operations Committee On Appropriations United States Senate

Issues Affecting Appropriations For The African Development Foundation

In 1980 the Congress authorized establishment of the African Development Foundation (ADF) to fill the gap between larger U.S. assistance programs and the needs of Africa at the grass roots level. ADF's first year of operations began in fiscal year 1984, but program development efforts came to a virtual standstill in April and May 1984 when its first president and vice president resigned.

In June 1984, the Chairman of the Subcommittee on Foreign Operations asked GAO to review the operations of ADF to determine if it has the necessary management capability to efficiently spend more federal dollars and to meet its mandate. GAO conducted its review during July-November 1984 and found that ADF was putting into place the staff and administrative capacity to manage a modest program. However, GAO questions ADF's envisioned program growth to as much as $100 million within the next 5 years. GAO believes ADF should demonstrate the viability of its management and program systems before plans for substantial growth are approved.

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NATIONAL SECURITY AND
INTERNATIONAL AFFAIRS DIVISION

B-217887

The Honorable Robert W. Kasten, Jr.
Chairman, Subcommittee on Foreign
Operations
Committee on Appropriations
United States Senate

Dear Mr. Chairman:

In response to your request of June 29, 1984, we evaluated the operations and activities of the African Development Foundation (ADF) to determine its management capability for carrying out its mandate and for efficiently using additional funding. ADF was established to channel development assistance to individuals and local community groups and institutions in Africa, and has been appropriated $8.5 million since its authorizing legislation in 1980.

INITIAL OPERATIONAL AND PROGRAM PROBLEMS

Although ADF's authorizing legislation was passed in 1980, the President did not nominate the first members of its Board of Directors until 1983. ADF's first year of operations began in fiscal year 1984; however, its first president and vice president resigned in April and May 1984 because of internal conflict. Those resignations left the Foundation in a condition described by ADF officials as a policy and program nightmare. The Foundation's new management was under significant pressure to demonstrate some progress, but its efforts were hampered by the lack of:

--sufficient numbers of full-time staff to provide continuity or stability to establish a long-term development program;

--procedures and controls for project grants, loans, and loan guarantees, and for handling many administrative functions;

--a long-term strategy for program direction and a plan for systematically coordinating its

program with other public and private development efforts in Africa; and

--an Advisory Council as directed in its authorizing legislation.

According to ADF officials, while they recognized that not all administrative and operational procedures were fully developed, they believed it was necessary to fund some projects in fiscal year 1984. Consequently, ADF obligated funds for 11 grant projects totaling $837,980 in six African countries. All of the project obligations were made in the last month of fiscal year 1984, reflecting the urgency felt by the Foundation to (1) use the appropriated funds, which ADF officials believed they needed to obligate before the end of fiscal year 1984, and (2) demonstrate ADF's continued viability to its principal congressional supporters. According to Office of Management and Budget (OMB) officials, ADF subsequently received authority to carry over its unobligated fiscal year 1984 appropriations for use in fiscal year 1985.

PROGRESS HAS BEEN MADE

Our review, conducted from July through November 1984, shows that ADF has made progress in establishing an organizational structure necessary to manage a modest program of grass roots assistance in Africa. As of November 1984 the Foundation had

--filled most of its authorized full-time staff positions;

--established internal procedures for certain administrative functions, such as fund obligation and procurement, and was working on developing other administrative and operational controls including grant disbursement procedures;

--established grant agreements for projects funded in fiscal year 1984 that will require grantee adherence to basic management requirements;

--established a project review committee to assess the merits of project proposals; and

--at the suggestion of OMB, planned to use the accounting systems of the National Transportation Safety Board to meet basic accounting and administrative control requirements.

ADF was also developing a 5-year program plan, describing its programming opportunities, based on: (1) determining the legislative intent of ADF's authorizing legislation, paying special attention to critical issues related to its creation; (2) developing ADF's (5-year) goals and concomitant operational objectives and strategies by sectors, with a budget and timetable needed to achieve those and conducting a field test of the proposed goals in three African countries; and (3) developing procedures for yearly reassessment and redefinition of the plan.

ADF documents indicated that among other issues, the plan will address questions of project monitoring, data gathering for lessons learned, and information dissemination. Its completion was initially scheduled for February 1985; however, as of March 1985 the plan was still in the draft stage.

QUESTIONS CONCERNING FUTURE PROGRAM REQUIREMENTS

While ADF has made progress in developing a capability to manage a modest program, we do not believe the Foundation should focus on significantly expanding its program to as much as nearly $100 million by fiscal year 1990. ADF presented those growth projections to the Department of State and OMB as part of the fiscal year 1986 budget process. We believe ADF lacked a sound analytical basis in linking budget estimates to an approved program plan, the demonstrated results of projects, and the resolution of key policy issues that surfaced during ADF's first year of operations. Specifically, as of November 1984:

(1) The 5-year program plan had not been completed, and several related program policy issues needed to be addressed as a part of the formal planning process. These policy issues included questions concerning

--Which African countries, if any, should receive priority in allocating funds in the initial years of programming?

--To what extent should ADF become involved in providing loans and loan guarantees, as opposed to the grant projects funded in 1984?

--To what extent will future project selection criteria emphasize private sector initiatives as encouraged by ADF's Board of Directors, define other

sectors of assistance as additional program support priorities, and encourage the channeling of funds through larger African intermediaries as opposed to direct support of local communities?

--How will ADF's program be coordinated with the assistance efforts of other public and private assistance organizations working in Africa?

(2) The projects funded in fiscal year 1984 had not been implemented and their viability remains to be demonstrated. There are also unresolved questions as to what demands these projects will place on staff for monitoring and control and, how many projects ADF staff can effectively manage.

(3) The Advisory Council, which is expected to represent an important input into the policy formulation process, had not been established. (The Advisory Council has since been established and its first meeting was held in March 1985.)

ADF growth objectives also appeared overly ambitious because (1) the development of administrative and operational procedures had lagged behind the process of project development and fund obligations in fiscal year 1984 and (2) a number of basic administrative and operational procedures, including those for integrating the accounting services of another federal agency with ADF's operational activities, remained to be worked out and demonstrated as viable.

ADF COMMENTS

ADF comments on our draft report were provided on March 8, 1985. ADF believed that we presented an unnecessarily negative view of the Foundation. It noted that our analysis described the status of ADF as of November 1984 and did not take into account the progress made since then in administrative and operational system development. ADF stated that since November the Foundation has put into place all of the administrative and operational systems described by us as necessary for basic management controls. Specific improvements cited by the Foundation included:

--finalizing a grants management manual and internal system of budgeting and management by objectives,

--completing a report by ADF staff on how loan and loan guarantee projects may be implemented,

--entering into reimbursable servicing arrangements with other federal agencies for handling ADF's payroll and basic accounting needs,

--extending official invitations to prospective members of its Advisory Council and scheduling the Council's first meeting for March 1985,

--initiating informal and formal discussions with other development agencies on how to coordinate ADF's programs, and

--addressing, to the extent current experience allows, the program policy issues which were unresolved at the time of our review.

ADF said our analysis of ADF's projected funding requirements presented an unfair comparison of the Foundation's institutional capability as of November 1984, versus its projected requirements totaling nearly $100 million by fiscal year 1990. ADF cited other reasons it believed our report was overly negative.

--Our analysis of program funding activities in fiscal year 1984 (1) unfairly criticized ADF for funding projects prior to having basic management systems in place and (2) neglected to state that such systems were being developed in tandem with the grant process.

--We blurred the distinction between the actions and policies of former ADF management and current staff; and

--Our analysis would have been more meaningful if we had compared ADF's start-up activities with those of its model agency, the Inter-American Foundation.

OUR EVALUATION

We believe our draft accurately described the conditions existing at ADF through November 1984, including the progress being made by current ADF management to establish basic administrative and operational systems. The additional progress made through March 1985, as cited by ADF, is consistent with the conclusion in our draft that ADF was making progress, but several areas of management procedures and controls needed further development and attention.

Because ADF had projected doubling its budget each year through fiscal year 1990, we believe an analysis of those projections is important in answering questions concerning ADF's

capability to efficiently use more federal dollars. ADF stated that its projections for fiscal year 1990 were speculative, but they represented a "vision" of where the Foundation might be in fiscal year 1990, assuming it will be successful in the early years of its operation. ADF believes that the recent establishment of a basic administrative and operational capability will support a marked expansion of its program. In our view, ADF needs to demonstrate the viability of its management and program systems before plans for substantial annual growth are approved.

In response to our draft report, ADF stated that its 5-year plan was still in the draft stage and not available for our analysis. Because the plan was not available to us, we are unable to comment on (1) ADF's long-term strategy to meet its mandate; (2) how recent ADF decisions on basic issues of country selection criteria, loans, and loan guarantees, etc., will affect its long-term strategy; and (3) the extent, if any, to which ADF may revise its estimated budgets and timetables to achieve approved long-range goals and objectives.

In regard to ADF's other major points concerning the relative priority given to funding grant projects in fiscal year 1984, the need to distinguish between current and former ADF management, and comparison of ADF with the Inter-American Foundation, we have the following comments:

--Our description of ADF's programming decisions in fiscal year 1984 was not intended as a criticism but as a statement of condition--project funds were obligated prior to finalizing many of ADF's administrative and operational procedures.

--Because ADF's first administration made little or no progress in programming, we believe that the progress identified in our report since the resignation of ADF's first president and vice president, and ADF's stated actions since November 1984 to further improve its basic management capability, adequately attributes progress made to current ADF management.

--Time constraints did not allow a comparative analysis of ADF and the Inter-American Foundation.

Details on the results of our review are included in appendixes I and II of this report. ADF's comments are included in appendix IV. The Foundation also attached additional detailed comments on specific issues, and we have addressed the most important of the points in ADF's attachments, as appropriate, in this letter and appendix I. The Foundation's

additional comments are available on request from GAO. Copies of this report are being forwarded to other appropriate House and Senate committees, the Secretary of State, the Administrator of the Agency for International Development, the President of ADF, and the Director of OMB.

Sincerely yours,

Frank C Conahan

Frank C. Conahan
Director

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ABBREVIATIONS

ADF	African Development Foundation
AID	Agency for International Development
GAO	General Accounting Office
OMB	Office of Management and Budget

THE AFRICAN DEVELOPMENT FOUNDATION

BACKGROUND

The African Development Foundation Act of 1980[1] established the African Development Foundation (ADF) as a federal corporation to make grants, loans, and loan guarantees to

--foster local development institutions and support communities' development efforts in Africa;

--promote development of self-evaluation techniques by participants in ADF projects for the purpose of transferring experience gained in such projects to similar development activities;

--support research by Africans and the transfer of development resources, expertise, and knowledge within Africa; and

--procure technical or other assistance as deemed appropriate.

The Act also states that ADF should give priority to (1) projects which community groups undertake to foster their own development and (2) the initiation, design, implementation, and evaluation of projects in which there is the maximum feasible participation of the poor. The legislation gives ADF authority to establish branch offices in Africa as may be necessary to carry out its functions.

Congressional supporters of the new agency envisioned that ADF would incorporate the most successful characteristics of other voluntary and private organizations involved in African community development. ADF was designed to (1) address the assistance needs at the grass roots level which are often not reached by programs of the Agency for International Development (AID) and other U.S. supported foreign assistance for Africa and (2) provide assistance that can be directly and efficiently delivered to local development endeavors undertaken by Africans themselves. Current ADF authorizing legislation limits the total amount of grants, loans, and loan guarantees for a single project to $250,000.

ADF was modeled after the Inter-American Foundation, which was created in 1969 to be an innovative, experimental alternative

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[1]Public Law 96-533; Title V of the International Security and Development Cooperation Act of 1980.

to traditional U.S. foreign assistance. The Inter-American Foundation has been providing grants in Latin America for agriculture and rural development, urban enterprises, community services, education and training, and other areas including research and learning.

ORGANIZATIONAL STRUCTURE

Management responsibilities in ADF are vested in a seven-member Board of Directors, five from the private sector and two from the government. They are appointed by the President and confirmed by the Senate.

The Board was constituted as a functioning body in October 1983. Between October 1983 and February 1984, Board meetings were held in an attempt to address the various requirements associated with establishing an assistance program. During these meetings the Board addressed a number of issues including

--Personnel matters, including selection of the first president and vice president, the possible types of appointments appropriate for hiring ADF staff, and temporary employment needs.

--Program policy, including the nature of African assistance needs and the philosophy or strategy available for ADF to address such needs, including discussions of basic issues such as country selection criteria.

Advisory Council

ADF's authorizing legislation also directed the Board of Directors to establish an Advisory Council composed of persons knowledgeable about development activities in Africa. It was envisioned that this group would meet at least once a year and advise the Board concerning ADF objectives and activities. The Council had not been established as of November 1984. An Advisory Council was, however, discussed during several Board meetings, and a special ADF Committee was established to study the subject. In response to our draft report, ADF stated it had extended invitations to prospective Council members beginning in February 1985. The first meeting of the Advisory Council was held in March 1985.

FUNDING

In fiscal years 1981-1983, the Congress initially demonstrated its support for the ADF concept by allocating $4.5 million for the Foundation, to be available from AID's Sahel Account. These appropriations were "no year" funds and were

earmarked for ADF without regard to fiscal year spending deadlines. Beginning in fiscal year 1984, ADF received annual appropriations of $3 million and $1 million in fiscal years 1984 and 1985, respectively. Thus, a total of $8.5 million has been provided through fiscal year 1985 as follows.

Fiscal year	Amount (millions)	Appropriation source
1981	$0.5	Sahel account
1982	2.0	" "
1983	2.0	" "
1984	3.0	ADF appropriation
1985	1.0	" "

Fiscal year 1984 obligations

In fiscal year 1984, ADF's first year of operations, its obligations were as follows.

Obligations	ADF appropriation	Sahel account	Total
Operating costs			
Through Aug. 1984	$ 828,444	$ 0	$ 828,444
Sept. expenses	55,000	0	55,000
Deobligations	(27,000)	0	(27,000)
	856,444	0	856,444
Projects funded			
Through Aug. 1984	0	0	0
Sept. expenses[a]	375,494	462,486	837,980
Deobligations	0	0	0
	375,494	462,486	837,980
Total	$1,231,938	$ 462,486	$1,694,424

[a]September figures are estimates.

Beginning in fiscal year 1985, ADF had approximately $6.8 million available for operations and programming, but it had not completed its 5-year plan indicating how these funds would be allocated for future program requirements.

OBJECTIVES, SCOPE, AND METHODOLOGY

In June 1984, the Chairman of the Subcommittee on Foreign Operations, Senate Committee on Appropriations, asked GAO to review ADF's operations and activities to determine whether it has the necessary policy, personnel, and management resources to efficiently spend more federal dollars and to meet its established development mandate. The Appropriations Committee report on the fiscal year 1985 appropriations legislation for foreign assistance (S.2793), included a recommendation that ADF funding be reduced from the administration's request of $3 million to $1 million. The Committee report stated the basis for that recommendation as follows.

> "It is an understatement to say that the Foundation, a new institution has had a rocky beginning. After much delay, a Board was appointed and staff hired, only to result in almost immediate internal conflict. Attempts were made by the vice president and some members of the Board to usurp the authority of the president, resulting finally in the resignation of the vice president.That was subsequently followed by the Board requesting and the president offering her resignation. This situation has resulted in very little of substance occurring and virtually none of the funds appropriated in fiscal year 1984 have been spent.
>
> The Committee is calling for a General Accounting Office investigation into this situation, and will not consider any further funding until the report by the GAO is received and evaluated by the Committee."

In evaluating ADF management, we focused on staffing and development of administrative procedures; project selection and funding in fiscal year 1984; long-term program direction and policy issues; and budget projections for future growth.

We examined official ADF files, financial records, and other documents. We also discussed program and management issues with ADF staff and Board members and with officials of the OMB, Department of State, and AID.

Our review was conducted during July through November 1984, in accordance with generally accepted government auditing standards.

ADF ACTIVITIES IN FISCAL YEAR 1984

ADF obligated $837,980 for 11 projects in September 1984, which reflected an urgency to obligate funds to (1) use available appropriated funds before the fiscal year deadline[2] and (2) demonstrate ADF's continued viability to its principal congressional supporters. A basic goal of ADF's management was to have full-time staff to reduce (1) its dependence on short-term contractors and (2) achieve a sense of organizational normalcy.

STAFFING

Throughout much of fiscal year 1984, ADF operated with limited full-time staff. In February 1984, the first president and vice president were hired, but they both resigned in the April and May time period because they could not resolve their differences over how to identify and assess potential projects for initial ADF funding. At that time, according to the Secretary of ADF's Board of Directors, ADF did not have an approved organization plan--although several plans had been considered. According to another Board member, the Board of Directors had been reluctant to consent to hiring permanent staff because of the problems between the president and vice president. As a result, only three full-time positions were filled until July 1984, and ADF depended on contractors for many program, planning, and administrative functions. Six contractors were hired as field representatives to identify and propose projects and certain personnel, hired by ADF's first administration, were retained as expert consultants.

Beginning in June 1984, the then-Deputy Assistant Secretary of State for African Affairs assumed the position of acting president. He initiated several actions to begin staffing, including designating staff positions for future hiring based on ADF's authorized level of 20 full-time personnel. The acting president, who became president on October 1, 1984, indicated that the recruitment of full-time personnel would be a priority in order to develop loyalty and commitment within the staff. The Board of Directors approved ADF's current organization plan in June 1984 and by the end of November 1984, key positions had been filled with permanent staff, as shown in the chart on the following page.

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[2]According to OMB officials, ADF subsequently received authority to carry over its unobligated fiscal year 1984 appropriations for use in fiscal year 1985.

Position	Status
Office of the President:	
President	filled (10/01/84)
Vice President	" (06/24/84)
General Counsel	" (11/25/84)
Confidential Assistant	" (03/04/84)
Secretary (Pres)	" (09/24/84)
Secretary (VP)	" (07/08/84)
Office of Program and Field Operations:	
Director[a]	filled (10/84)
Field representative[a]	" "
" "	" "
" "	" "
" "	" "
Secretary/bilingual/ translator	vacant
Secretary	"
Clerk typist	"
Office of Administration and Finance:	
Executive officer	filled (07/15/84)
Budget and fiscal officer	" (07/29/84)
Personnel officer	" (07/22/84)
Administrative officer	" (08/12/84)
Secretary	" (07/22/84)
Receptionist	" (04/10/84)

[a]Career appointments in process.

Field representatives

The six contractors hired as field representatives to identify projects in fiscal year 1984 had a mixture of backgrounds and prior development experience in Africa, including (1) Associate Peace Corps Director, Togo, (2) Foreign Service Agricultural Officer, Gambia, (3) field representative (contractor) for an AID project, Ghana, (4) Associate Director, National Council of Negro Women, (5) Professor, Department of African Studies, Rutgers University, and (6) Development Coordinator, Peace Corps, Liberia.

Each field representative had a contract which began in June/July 1984 (not to exceed September 29, 1984) to (1) visit two African countries to further develop project proposals identified by ADF's first administration, (2) explore additional project leads, and (3) return to Washington for final project

preparation. This initial project selection exercise met key ADF program goals for fiscal year 1984: (1) to obligate funds for projects before the close of fiscal year 1984, (2) to fund "low risk" projects to avoid any possible further embarrassment to ADF, and (3) at the same time, to fund projects that had a high potential for success and could withstand scrutiny. Two of the field representatives were hired as full-time program staff beginning in fiscal year 1985.

ADF also relied on contractors throughout most of fiscal year 1984 for other administrative and program functions, including developing a 5-year plan for future programming, as shown in the following chart. According to ADF, the Foundation's first administration was responsible for the contracts procured through May 1984, as well as the legal counsel contract which took effect in June.

Use of Contractors

Purpose	Dates
Prepare ADF grant criteria, country profiles and examples of projects, and identify individuals knowledgeable of development issues.	01/09/84 to 04/02/84
Coordinate Board members' trip to Africa.	01/09/84 to 05/14/84
Develop plan for identifying candidates for field representative positions, and related tasks.	03/12/84 to 05/04/84
Design approach for generating project proposals.	03/26/84 to 05/15/84
Analyze and provide legal counsel.	06/12/84 to a maximum of 30 days unless extended by agreement
Formulate and complete budgetary and administrative reports, and other related tasks.	06/11/84 to 07/31/84
Represent ADF and explain ADF program to project proponents, and other related tasks.	05/15/84 to 08/03/84
Develop ADF brochure.	07/11/84
Evaluate and recommend proposals for funding received by ADF.	08/06/84 to 09/14/84
Prepare 5-year plan for ADF.	08/13/84 to 11/02/84[a]

[a]Work on program plan was extended beyond November 1984.

ADF comment and our evaluation

Concerning our description of ADF's use of field representatives, ADF believed that their hiring should be viewed as a means to lessen the feeling of transiency at ADF, to enable ADF to move quickly to establish a presence in Africa, at a time when ADF critically needed positive representation. ADF also stated that the six contractors were identified through a careful and thorough screening process, and each possessed much more in-depth experience than indicated in our report. We did not elaborate on the qualifications of ADF's field representatives because we believe our description clearly indicated these individuals had adequate qualifications for traveling to Africa and investigating potential projects.

OPERATIONAL AND ADMINISTRATIVE REQUIREMENTS

During fiscal year 1984, ADF had not finalized its grant disbursement procedures nor had it finalized a system of controls integrating its administrative and accounting procedures.

ADF's emphasis on obligating grant funds by the end of the fiscal year exceeded the priority given to the development of administrative and operational procedures. According to ADF officials, this condition resulted from the time constraints on obligating fiscal year 1984 funds and the political pressure to demonstrate progress by funding projects.

Beginning in July 1984, key administrative positions were being filled and a system of administrative controls was being developed. As of November 5, 1984, a Board of Director's manual had been prepared and procedures had been approved for (1) controlling fund obligation; (2) procuring of supplies, equipment, and services; and (3) delegating certain program authority from the Board of Directors to the president. Through an agreement with the Peace Corps, the services of a general counsel were made available during part of the initial project selection exercise, and on November 25, 1984, the general counsel was hired full-time. Although project funds were obligated in September 1984, procedures remained in the draft stage for grant management and disbursement. The issue of loans and loan guarantees had been discussed by ADF, but procedures remained to be developed.

Because ADF had not finalized many of its administrative procedures in its first year of operations, it relied on AID to maintain its official accounting records during fiscal year 1984--records which were kept on a manual basis. According to AID officials, ADF experienced some difficulties in providing the necessary documentation for accounting transactions, apparently

due to the lack of standard operating procedures and staff turnover associated with the resignation of the first president and vice president. Our analysis of ADF documents indicated that the lack of standard operating procedures had resulted in problems such as authorization and approval of official travel after the travel had occurred. Our analysis indicated, however, that improvements in handling such administrative requirements have been made under ADF's current administration.

Although AID considered these problems more of a nuisance than a question of accountability, their frequency suggested that ADF needs to strengthen its accounting-related procedures if it plans any significant expansion of operational activities. ADF recognizes this need and plans to use the accounting systems of the National Transportation Safety Board, whose computerized systems OMB recommended as being more adaptable to ADF's planned system of operations.

ADF comments and our evaluation

ADF believed that our description of its accounting capability was somewhat misleading. ADF stated that OMB, beginning with a February 1984 letter to ADF, had directed ADF to give first priority to having other federal agencies handle its administrative processing functions. Payroll and personnel services were transferred from AID to another agency as of December 9, 1984, and accounting and administrative payments were transferred as of March 1, 1985. During our review, OMB officials expressed concern that ADF needed to strengthen its administrative capability, including tieing into the accounting systems of another agency. We view ADF's actions to use the administrative and accounting systems of other agencies as being necessary for it to achieve a basic management capability.

GRANT AGREEMENTS

Although procedural development for many operational functions did not keep pace with the obligation of funds, basic conditions were attached to each approved project agreement in fiscal year 1984. These require grantee adherence to certain management conditions which, we believe, represents one of the stronger actions of ADF's current management to begin a system of control over projects. For example, the grant agreement for one approved project states that

> --to facilitate disbursements, financial reporting, and auditing, the grantee will agree to establish a separate non-interest-bearing bank account to be used exclusively for all grant funds;

--in connection with the project bank account, the grantee will maintain records of receipts and expenditures and make then available to ADF upon its request;

--the grantee will furnish timely progress and financial reports every 3 months;

--audits will be conducted by an audit firm selected and paid by ADF, and the grantee will make available to the audit firm all financial records necessary for such audits; and

--ADF will monitor activities under the grant and also evaluate the project in cooperation with the grantee.

Similar to the other projects approved in fiscal year 1984, the above project also had special conditions attached to its agreement to strengthen project implementation. For example, requirements include that prior to disbursements of funds for each sub-project, ADF should receive a detailed description and budget for work schedules and contracts issued for material, equipment, and labor.

These conditions, although essential to beginning a system of ADF control over operational aspects of projects, also represent significant requirements for ADF in terms of future project management and monitoring by its staff. Because none of the projects had begun implementation stage at the time of our review, ADF did not know how many projects could be effectively managed by its staff. In our view, such information is critical to developing a long-term ADF strategy.

ADF comment and our evaluation

ADF stated that the prior development experience of its staff will enable them to meet future project management requirements. ADF stated that it has known from the outset that in addition to periodically scheduled monitoring visits by Foundation representatives, additional project monitoring will have to be covered through contracts with indigenous, qualified, and reputable African private voluntary organizations and technical assistance firms, as well as through African development consultants. Because the ADF concept represents a new and innovative approach to development in Africa, feedback from ongoing and completed projects will be necessary for the Foundation to (1) accurately document the monitoring requirements of its recipients and (2) adjust its program plans based on the nature of those requirements.

PROJECT SELECTION AND APPROVAL

ADF was under pressure to fund some projects by the end of fiscal year 1984 to demonstrate progress. The framework for beginning this activity was initially described in a May 1984 ADF memorandum as follows.

--Six to eight quality projects should be identified and approved, ranging in costs from $50,000 to $200,000 each.

--Target African countries should be selected for initial project funding, with an emphasis on countries that do not pose major political or logistics obstacles to a visible effort.

--A preliminary project selection process should be based on a screening of projects already proposed by other assistance organizations working in Africa.

--The final project selection process should involve the travel of the six field representatives to develop projects in their final form.

Subsequent to that memorandum, ADF developed a revised program plan for fiscal year 1984 that established a timetable for the six field representatives to evaluate projects in selected African countries.

Beginning in June 1984, the six contractor field representatives went to Africa to identify and develop project grant proposals. During August and September, 36 proposals from 10 countries were presented to an ADF project review committee. That committee, which was comprised of principal officers of ADF including the acting president, vice president, and director of administration and finance, rated the merits of each proposal on a point scale. A project had to meet the criteria established for the first round of project selection (see app. II) and receive a rating of at least 75 out of 100 to be considered eligible. Based on the committee's recommendations, the Board of Directors approved the 11 projects on the following page for the total amount of $837,980 in fiscal year 1984.

APPENDIX I

Projects approved for funding	Country	Amount
1. Dalakana Integrated Village Development	Mali	$250,000
2. Association of Nigerian Women	Niger	249,200
3. Morija Vocational School	Lesotho	42,804
4. Ramosebo Village Development	Lesotho	25,707
5. Ha Sematle Village Development	Lesotho	17,584
6. Moteng Women In Self Help	Lesotho	15,022
7. Levi's Nek Training Program	Lesotho	21,777
8. Boys Town Institute	Liberia	104,000
9. ZCSD Self Help Fund	Zambia	81,198
10. Tswelelopele Production Project	Botswana	3,400
11. Boiteko Agric Management Association	Botswana	27,288
Total		$837,980

The following sections briefly describe the purpose of these projects.

Mali

Dalakana Integrated Village Development—$250,000 over 3 years

The Dalakana Village Association will receive a grant to finance a number of construction sub-projects identified as necessary to increase agricultural production and raise health standards. This will entail the construction of an infirmary, the digging of a canal and five wells, and improvement of access roads and the building of additional classrooms to a village school.

Niger

Assistance in Development for Rural Nigerian Women—$249,200 over 3 years

The Association Des Femmes Du Niger will implement three distinct sub-projects aimed at enhancing the participation of Nigerian women in development: (1) set up 5 women's centers in villages located in different areas throughout the country, (2) dig 2 wells in the village of Kourfa, (3) install 11 grain mills in the rural areas of Niamey, Dosso, and Tahoua.

Lesotho

Mbrija Vocational School—$42,804 over 3 years

The Mbrija Chapter of the Lesotho National Council of Women will strengthen and expand the Mbrija Vocational School for women. The major purpose is to provide training in income-generating skills to female school dropouts and women while enabling the institution to become self-sufficient.

Ramosebo Village Development Fund—$25,707 over 1 year

The Ramosebo Cooperative will establish a revolving village development fund to help cooperative members start up individual egg production enterprises.

Ha Sematle Village Development Fund—$17,584 over 1 year

The Ha Sematle Cooperative will establish a revolving fund to help individual members start up egg production enterprises. Both the Ha Sematle and Ramosebo projects will be assisted by the extension educators of the Institute of Extra-Mural Services, National University of Lesotho.

Mateng Training Project—$15,022 over 2 years

The Mateng Chapter of Lesotho Women in Self-Help will provide technical assistance in marketing, knitting and sewing, and management skills. It will also provide funds for wool and cloth and for sewing and knitting machines as training equipment.

Levi's Nek Training Program—$21,777 over 18 months

The Levi's Nek Chapter will provide funds for technical assistance, equipment and supplies, and improvement of the group's facilities to increase and improve their production of garments for the rural community of Levi's Nek.

Liberia

Boy's Town Institute Income-Generating Project—$104,000 over 3 years

Boys' Town Institute in Monrovia will develop and expand an income-generating agricultural component to enable the Institute to become more self-sufficient. It is intended to improve the nutritional diet of students and increase the number of boys receiving poultry and piggery training and experience.

Zambia

ZCSD Self-Help Assistance Fund—$81,198 over 18 months

The Zambia Council for Social Development (ZCSD) will receive a grant to enable them to address the needs of disadvantaged communities in the least developed of Zambia's provinces in the North and Northwest. The objective is to identify, design, and implement self-help village projects.

Botswana

Tswelelopele Poultry Project—$3,400 over 1 year

The Tswelelopele Production Cooperative will initiate an income-generating project to increase incomes for cooperative members. Purpose: to develop a viable poultry (egg) production enterprise.

Boiteko Poultry-Market Garden Project—$27,288 over 2 years

The Boiteko Agricultural Management Association will finance technical assistance and facilities improvement to enable the group to expand its horticultural activities and to develop an egg production enterprise.

STRATEGY TO ADDRESS AFRICA'S GRASS ROOTS ASSISTANCE NOT COMPLETED

According to an ADF Board member, the projects initially funded in fiscal year 1984 may or may not be representative of future efforts because the Foundation's long-term strategy (5-year plan) remained to be developed. It was also anticipated that project selection criteria will be refined as experience in grass roots development is gained. In addition, ADF does not plan to use field representatives to travel to Africa for identifying future projects but will (1) rely on African organizations to request assistance directly and (2) use its field representatives to assess such proposals in the field. As of October 26, 1984, the procedures to be used for this process were in draft stage.

Because the 5-year plan had not been finalized at the time of our review and the procedures and criteria for future project identification and approval were in the formulation stage, we are unable to comment on to what extent, if any, future ADF programming strategy will be affected by decisions concerning the key policy issues which surfaced during its first year of operations. Specifically, these issues have included the following.

Country selection criteria--Should ADF establish clearly defined criteria for distributing funds by country/region or should it consider the entire continent of Africa eligible for project assistance?

Project selection criteria--To what extent will future project selection criteria (1) emphasize income-generating, self-sustaining projects as encouraged by the Board of Directors, (2) focus on a wide variety of Africa's community

assistance needs or concentrate on developing ADF's expertise in selected sectors (e.g., modern health delivery vs. traditional health systems), and (3) channel funds through larger, intermediary organizations, as did many of the projects funded in fiscal year 1984, or concentrate on providing assistance more directly to community organizations?

Coordination--How will ADF systematically coordinate its strategy with the assistance efforts of (1) other private and voluntary organizations involved in African community development and (2) the larger assistance programs for which ADF is expected to directly fill the gap?

The above questions were just a few of the unresolved policy issues that surfaced during ADF's first year of operations--others included issues such as what priority should be given to loan projects versus grants. At the time of our review, ADF officials did not indicate how these issues would be addressed as part of the 5-year plan. We believe addressing such questions is critical to the planning process and in formulating a long-term strategy. In addition to current ADF efforts to develop a 5-year plan consistent with its mandate, we believe the establishment of the Advisory Council will be important to addressing program objectives in relation to policy issues.

ADF comment

ADF stated that in the future each project proposal will be evaluated on its own merit--with an emphasis on income-generating projects, activities with potential for self-sufficiency, and projects with nongovernmental organizations and private-sector entities. ADF agreed that the issue of the Foundation's long-range plan and strategy is relevant in terms of how the Foundation implements its congressional mandate. ADF stated that (1) its vice president was hired in part because of his expertise and experience in long-range planning and (2) that the formulation of a 5-year plan was at the forefront of ADF's list of priorities. To facilitate this process, a consultant was hired to develop the 5-year plan.

In terms of the policy issues which surfaced during the Foundation's first year of operation, ADF believes that these are not issues that require solutions cast in concrete, but rather that they are facets of an ongoing development assistance operation that generate fluctuations and stimulate the need for constant deliberation. ADF agreed there is no debate about the need for (1) an active country or project selection criteria, (2) technical support, and (3) coordination to ensure that duplication of effort among donors is avoided to maximize limited resources and to facilitate each other's efforts. ADF stated that its draft 5-year plan has addressed many of these issues.

GROWTH OBJECTIVES

At the time of our review, one of ADF's major objectives for preparation of its long-term plan was to significantly expand its program. ADF documents dated August 1984 stated that

> "the ADF leadership has great ambitions. . . one hundred million dollars ($100) has been targeted as the desired budget in five years. This is a great leap forward from $3 million in five years, therefore, a hard-hitting comprehensive plan is needed to justify the need for such a budget."

These visions were reflected in ADF's first 5-year budget planning effort. In August 1984, ADF requested through the State Department a budget authority of $15.5 million in fiscal year 1986 and included a projected growth to approximately $100 million in annual appropriations within a 5-year time frame.

ADF stated that substantial increases in its budget authority would be necessary to effectively implement a fully staffed program and field operations structure for sustained and cost-effective responsiveness to local funding requests. ADF officials based their fiscal year 1986 request on a number of projected activities, including

--use of the total fiscal year 1985 obligating authority to fund programs in as many as 18 African nations and

--fiscal year 1986 funding support of projects in 20 African nations with emphasis on income generation opportunities, increased food production, storage and marketing systems, and improved water supply and preventive health care.

At the time of our review, ADF did not clearly indicate the link between this budget proposal and preparation of the 5-year plan. Its budget proposals noted that, concurrent with the submission of budget plans, ADF was undertaking the preparation of its 5-year program plan. We believe that preparation and Board approval of the 5-year plan should be a prerequisite for considering any significant expansion of the ADF program.

ADF negotiations with the Department of State and OMB

At the request of OMB, ADF first submitted its fiscal year 1986 budget request through the Department of State as part of its integrated budget submission. According to ADF documents, in

its initial review State reduced ADF's request for fiscal year 1986 from $15.5 million to $6 million. On August 23, 1984, ADF appealed that decision to State, stating that a minimum of $10 million to $12 million would be necessary for ADF to (1) generate awareness of its program among Africans and (2) establish a critical mass of funding in each of the broad regions of Africa. ADF's appeal also noted that the $15.5 million fiscal year 1986 request was modest in the context of the total U.S. foreign assistance budget and in terms of the extreme assistance needs of Africa. However, according to OMB officials, State transmitted the recommended $6 million level for fiscal year 1986 to OMB along with a projected growth in ADF annual appropriations to approximately $8 million in fiscal year 1990.

In February 1984, OMB had advised the Chairman of ADF's Board of Directors to plan agency activities with a ceiling of 20 full-time equivalent positions through fiscal year 1986, based on a recommended annual budget authority of approximately $3 million for fiscal years 1984 through 1989.

In correspondence with OMB during September 1984, ADF officials requested a new budget authority for fiscal year 1986 of $6 million in "no-year" funds. This, they believed, would help ADF avoid some of the problems associated with the pressure to obligate funds in fiscal year 1984. Attachments to the correspondence indicated that at a $6 million level in fiscal year 1986, ADF believed its budget should double each year reaching $96 million by fiscal year 1990, as indicated in the following ADF estimates.

Summary budget request	Budget year				
	FY86	FY87	FY88	FY89	FY90
	(thousands)				
Total obligations	$6,000	$12,000	$24,000	$48,000	$96,000
Budget authority (appropriations)	6,000	12,000	24,000	48,000	96,000
Outlays	6,300	9,150	17,400	34,800	69,600

Building on the arguments initially presented to State, ADF said that important considerations in its request for fiscal year 1986 are that:

--It cannot effectively meet its mandate working at OMB's suggested appropriations of approximately $3 million annually, and the OMB

levels are entirely inconsistent with the needs of Africa.

--Maintaining the program at OMB recommended levels would limit the number of organizations fundable by ADF and include a higher percentage of operating expenses to total program outlays. ADF believed that operations at the OMB suggested levels would (1) make operations of field offices in Africa impractical and (2) prevent establishment of an Office of Research, Evaluation, and Planning indefinitely. It was also believed that plans to support an Advisory Council would have to be scaled back significantly under the OMB policy scenario.

In January 1985, OMB recommended a deferral in fiscal year 1985 of approximately $2.29 million in ADF's no-year funds. If approved, this will result in a fiscal year 1985 program level of approximately $4.5 million for the Foundation. The deferral was recommended because ADF is in the early stages of establishing its operational policies and procedures and program priorities. We were told by OMB officials that OMB will recommend an ADF program level for fiscal year 1986 totaling $2.89 million--$1 million in appropriated funds and $1.89 million in the existing no-year account funds.

ADF PROJECT SELECTION CRITERIA

SUBMITTED TO OMB ON SEPTEMBER 14, 1984

Organizations receiving ADF grants are expected to exhibit the following characteristics:

--Public or private status as an organization active in local community development or, if a national intermediary, it must channel its resources to grass roots entities which are so active;

--Participation of Africans in the policymaking and decisionmaking process of the organization;

--A focus and commitment consistent with ADF's mandate, demonstrated through the organization's past activities;

--A track record relevant to the organization's proposed use of ADF support, or a demonstrated capability to obtain the services of and manage individuals who have had appropriate experience;

--Demonstrated management capability to carry out a specific plan of activities;

--A system for maintaining fiscal accountability.

Any project considered for funding should promote one or more of the following:

--Self-sufficiency through community-based development efforts;

--The development of self-evaluation techniques designed by project participants; and/or

--Development research that will facilitate the transfer of development resources, know-how, and technology within Africa.

More specifically, any program, project, or activity funded by ADF must:

--Be designed to benefit the local community;

--Include local participation in design, implementation, and management;

--Be responsive to the needs of the socioeconomically disadvantaged;

Source: ADF Documents

--Be realistic and feasible in terms of its approach;

--Have potential linkages to other community, regional, or national organizations/projects engaged in similar activities;

--Have achievable objectives and adequate managerial and technical staff resources;

--Be able to maximize its own resources with those provided through ADF assistance;

--Have potential to contribute to the sustained development of the community;

--Be designed to include local contributions of labor, materials, facilities, funds, etc.;

--Incorporate adequate financial management and accountability, either through existing capability or obtained as part of requested ADF assistance.

APPENDIX III

MARK O. HATFIELD, OREG., CHAIRMAN

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United States Senate

COMMITTEE ON APPROPRIATIONS
WASHINGTON, D.C. 20510

June 29, 1984

Mr. Charles A. Bowsher
Comptroller General of
the United States
Washington, D. C. 20548

Dear Mr. Bowsher:

On Tuesday, June 26, 1984, the Senate Appropriations Committee reported out the Fiscal Year 1985 appropriations legislation for foreign assistance (S. 2793). Included in that legislation is the recommendation that funding for the African Development Foundation be reduced from the administration's request of $3 million to $1 million, and that the Committee request the General Accounting Office to study the operations of that institution before further funding is considered.

As you may know, the African Development Foundation has had some severe problems in getting started with its program, with both the Vice President and President being fired or resigning. The Committee needs to know whether or not the African Development Foundation has the necessary policy, personnel, management resources, etc., which would enable it to efficiency spend more Federal dollars and, of course, to meet its mandate.

We would appreciate this report as soon as possible, and if you have any questions as to the Committee's intentions with respect to this report, please contact Jim Bond, Staff Director of the Foreign Operations Appropriations Subcommittee at 224-7274.

Sincerely,

Bob Kasten

Robert W. Kasten, Jr.
Chairman, Subcommittee on
Foreign Operations

RWK:jdb

cc: Assistant Secretary Chester Crocker

African
Development
Foundation

08 March 1985

Mr. Frank Conahan
Director
United States General Accounting Office
National Security and Internal Affairs Division
Washington, D.C. 20548

Dear Mr. Conahan:

I am responding to your request for comments on the draft report entitled "Issues Affecting Appropriations for ADF." The report was written in response to a request from Senator Kasten, Chairman of the Senate Committee on Appropriations. In a June 29, 1984 letter to you, he stated that the Committee needed to know whether the Foundation has the "necessary policy, personnel, management resources, etc., which would enable it to efficiently spend more Federal dollars and, of course, to meet its mandate."

At the time the letter was written, the Foundation's Board of Directors had replaced its entire management staff, and was in the process of rebuilding from the ground up with a new management team. Given these circumstances, it appears that Mr. Kasten wished to know if ADF could function with a budget increased over its existing level, and whether the new management was putting into place the necessary personnel, policies and procedures which would enable the as yet untested management team to meet its mandate.

Thus, it appears that two distinct questions were being asked: (1) regarding the management ability and organizational structure of ADF to handle an increase in appropriations, and (2) about the capability of the Foundation to carry out its mandate. In my opinion neither of these issues has been fairly or fully addressed by the auditors in their report. I base my position on the following points:

1. While I realize the time constraints under which the auditors operated, I believe the fact that the draft report is three months out of date does a great disservice to ADF as an organization which is barely a year old. The report portrays the status of the Foundation as of November 1984, not as it is today. Consideration was apparently not given to assessing the future evolution of the Foundation based on the systems and personnel already in place during the auditor's review.

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It is my contention that ADF's present status is considerably more germane to Senator Kasten's inquiry, particularly in considering the Foundation's funding for fiscal year 1986. In the three months since the report was written, the Foundation has put into place all of the administrative and program systems characterized by the auditors as necessary, but either absent or incomplete. A full complement of highly qualified personnel has been hired who have resolved, to the extent current experience allows, most of the policy issues which the report characterizes as unresolved. These issues include the matter of loans and loan guarantees, country selection criteria, a strategy with respect to private sector initiatives, and coordination with other organizations inside and outside the government. A five-year plan in final draft has been written incorporating the Foundation's resolution of many of these issues. The Advisory Council, which consists of leading development experts, has been chartered and will hold its first meeting in mid-March. Hence, the contents of the report, which reflect none of these accomplishments, are out of date to the extent that they present an inaccurate impression of the Foundation as it is today.

2. The audit report section captioned "Foundation Not Ready for Major Expansion" consists of an unfair comparison of the Foundation's institutional capability as of November 1984 versus the Foundation's projected funding needs for 1990. The auditors miss the basic point that systems developed by ADF through November 1984 were effective in comparison to the modest fiscal year 1984 funding level. They also miss the broader point that the pace of organizational development during the current ADF President's tenure has already been sufficiently rapid to assuage any legitimate concern that out-year growth in funding levels might outstrip the ongoing refinement of ADF's programming and management capability.

3. The report mentions the pressure under which the Foundation operated in the fall of 1984 to fund at least some projects in fiscal year 1984. It simultaneously criticizes the staff for proceeding to fund these projects in September 1984, before all management systems were in place, and personnel were hired on a full time basis. The report neglects to mention that systems were developed contemporaneously with the grant making process, and that qualified staff was brought on board, either temporarily or permanently, as their services became vital to a successful grant making effort. As a result, 11 grants were made totalling $838,000, all of which were able to withstand the first-hand scrutiny of the auditors both as to their fiscal and management

integrity, and their consistency in meeting the Foundation's mandate. The systems developed in September/October 1984, remain in place, have been fine-tuned, and are now capable of handling a substantial additional infusion of funds.

4. Neither the systems nor the personnel who developed them are analyzed in attempting to respond to Senator Kasten's inquiry whether they have the capability to handle an increased budget or to meet the ADF mandate. One would have thought that such analysis, based on fully current information, would have been of central importance in responding to the Senator's concerns.

5. It appears that from an historical perspective, a motivating factor for Senator Kasten's inquiry was a concern regarding the Foundation's management capabilities following the complete turn-over in the management staff of ADF which occurred in May/June of 1984. In my opinion, a thorough analysis of ADF's current capacity to manage its program requires that a clear distinction be made between the actions and policies of the former ADF management and its current staff. I believe that the report often blurs this distinction, confusing actions by the former management staff with those of the new. In my analysis of the report, I shall point out the junctures at which this occurs. I urge that this distinction be recognized and the deficiency corrected.

6. Finally, there is a significant historical precedent against which to measure ADF's ability to carry out its mandate and utilize an enhanced level of resources. That precedent, the Inter-American Foundation, was mentioned in the report as the model for ADF, but no further attention was given to the fact. One would have thought that it would have been useful, if not essential, to any meaningful analysis of ADF's progress to date, to examine the early years of the IAF's history to determine how much financial assistance they were able to deliver effectively, and at what staffing levels. It would have also been instructive to see how, and at what historical junctures, IAF developed its procedures and systems, and responded to the policy issues which confronted them.

Admittedly, there are certain fundamental differences between Latin America and Africa in the context of mounting a grassroots development program. But the similarities in the two Foundations' mandates and structure, and the policy issues which were confronted are not so insignificant that a comparison of their respective abilities to operate at particular funding levels would have given the report a perspective which it now lacks.

In summary, leaving aside inaccuracies which I will discuss in some detail in the attached ADP detailed response, it is my view that the report suffers from a substantial overall skewing toward a negative view of the Foundation as the result of its failure to report on the ADP's current status; its use of past capabilities to evaluate the Foundation's ability to handle a projected future appropriation which had been planned by ADP management for 1990; its criticism of the Foundation for funding projects in fiscal year 1984; its blurring of the distinction between present and former management; and its failure to analyse the quality of staff and systems, and available historical data, to provide perspective to its conclusions. As a result, I believe the report neither responds fully to Senator Kasten's inquiry nor fairly represents the ability of the Foundation to carry out its mandate at either the current rate of funding or at future levels of enhancement.

In the interests of accuracy, I urge you to carefully review the analysis I have appended to the report and correct the oversights identified therein.

In view of your request that our response be available for congressional hearings scheduled in March 1985, your immediate attention and consideration is appreciated.

Sincerely yours,

Leonard H. Robinson, Jr.
President

LHR:jkm

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